

## Message Text

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TAGS: SCUL, OEXC, UR

SUBJECT: MINNESOTA GALLERY ART EXCHANGE

REF: MOSCOW 10699 (NOTAL)

1. MINNESOTA GALLERY REPRESENTATIVE BARBARA SHISSLER AND ARTISTIC ADVISOR JOHN BOWLT WILL VISIT MOSCOW WEEK OF JULY 10 TO DISCUSS WITH MINCULT INDEMNIFICATION AND OTHER PROBLEMS OF ART EXCHANGE. THEY WILL CONTACT EMBASSY/P&C UPON ARRIVAL; SHISSLER ASKED THAT BENSON AND JOHNSON IN PARTICULAR BE INFORMED.

2. FOR EMBASSY'S BACKGROUND INFORMATION, THERE HAVE BEEN SEVERAL DEVELOPMENTS OVER PAST TWO WEEKS AND PROBLEM OF INDEMNIFICATION STILL THREATENS POSSIBLE CANCELLATION OF THE EVENT. SHISSLER/BOWLT VISIT REPRESENTS VIRTUALLY A LAST-DITCH EFFORT TO ACHIEVE A COMPROMISE THAT WILL KEEP THE EXCHANGE ON SCHEDULE.

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3. FOR US GOVERNMENT INDEMNIFICATION, THE SOVIETS SUBMITTED AN EVALUATION FIRST OF 43 MILLION DOLLARS, LATER REDUCED TO 30. THE GENERAL VIEW OF EXPERTS HERE IS THAT TEN MILLION POSSIBLY FIFTEEN WOULD ACCORD WITH WESTERN MARKET VALUES. THE FEDERAL COUNCIL ON ARTS AND HUMANITIES, WHICH UNDER

LEGISLATION IS RESPONSIBLE FOR APPROVING INDEMNIFICATION APPLICATIONS, HAS THUS FAR DETERMINED ONLY THAT THE 30 MILLION FIGURE IS TOO HIGH. THE COUNCIL IS NOT IN A POSITION TO "NEGOTIATE" (AS THE SOVIETS SEEM TO THINK) AND WILL NOT MEET AGAIN UNTIL OCTOBER, BUT IT IS POSSIBLE THAT ITS MEMBERS COULD BE CIRCULARIZED BEFORE OCTOBER TO PASS ON A NEW PROPOSAL IF ONE IS MADE THROUGH THE MINNESOTA PEOPLE. THERE IS NO GUARANTEE THE COUNCIL WILL APPROVE ANY PARTICULAR FIGURE.

4. COMPROMISE THAT SHISSLER/BOWLT APPEAR TO BE SEEKING IS THAT FEDERAL COUNCIL APPROVE \$15 MILLION AND PRIVATE INSURANCE BE OBTAINED FOR AN ADDITIONAL 15. (THERE ARE PRECEDENTS FOR THIS COURSE.) THE SOVIETS HAVE REJECTED A MINNESOTA PROPOSAL THAT A SENDING-SIDE-PAYS EXCHANGE BE WORKED OUT ON THE LINES OF EARLIER METROPOLITAN MUSEUM ARRANGEMENTS.

5. SOVIET EMBASSY CULTURAL COUNSELOR DYUZHEV HAS HAD SEVERAL CONVERSATIONS WITH SHISSLER, ICA AND DEPARTMENT OFFICERS, ASSERTING THE 30 MILLION DOLLARS IS ROCK BOTTOM FOR THE SOVIETS. WE HAVE EXPLAINED THAT USG INDEMNIFICATION CAN ONLY BE PREDICATED ON MARKET VALUE AS DETERMINED BY EXPERTS IN THE FIELD--SETTING THE FIGURE IS NOT A NEGOTIABLE MATTER OR ONE WHERE STATE/ICA CAN PLAY LARGE ROLE. SOVIETS, POSSIBLY BECOMING CONCERNED OVER POTENTIAL CAN-

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CELLATION NOT ONLY OF EXHIBIT BUT ALSO OF THE RELATED KABLEVSKY AND ULANOVA VISITS, HAVE ASSERTED A DESIRE TO BE FLEXIBLE AND SUGGESTED SUCH MOVES AS CUTTING DOWN ON THE NUMBER OF PICTURES OR NUMBER OF CITIES TO BE VISITED BY EXHIBIT. ON FIRST POINT, INDEMNIFICATION IS ITEM-BY-ITEM, SO MARKET VALUES WOULD STILL BE LESS THAN SOVIETS PROPOSE AND TOTAL WOULD BE REDUCED ACCORDINGLY. AS FOR NUMBER OF CITIES, IT IS OUR UNDERSTANDING THAT THIS IS NOT A SIGNIFICANT FACTOR IN USG OR PRIVATE INSURANCE VALUATIONS.

6. AT ONE POINT, DYUZHEV RAISED IN A PRIVATE CONVERSATION WITH SHISSLER THE IDEA THAT AN INVITATION TO MINCULT DEMICHEV MIGHT HELP RESOLUTION OF PROBLEMS. HE LATER TOLD DEPTOFF THAT THIS WAS STRICTLY A PERSONAL VIEW AND THE TWO QUESTIONS WERE "OF COURSE SEPERATE." INVITATIONS TO DEMICHEV HAS BEEN DISCUSSED HERE, BUT WE ARE NOT PREPARED TO ISSUE INVITATION AT THIS TIME. EMBASSY SHOULD NOT RAISE THIS ASPECT, BUT SHOULD REPORT ANY SOVIET EFFORT TO INJECT IT INTO CONVERSATIONS.

7. SECOND MAJOR POTENTIAL DIFFICULTY TO BE ADDRESSED BY SHISSLER/BOWLT WITH SOVIETS IS AEROFLOT ESTIMATE OF \$50,000

FOR TRANSSHIPMENT FROM NY TO MINNESOTA. US CARRIERS

REPORTEDLY ESTIMATE \$6,000 AS CLOSER TO AN APPROPRIATE  
CHARTER FEE. PRECISE DATES OF ULANOVA AND KABALEVSKY  
ARRIVAL AND DEPARTURE ARE ALSO STILL TO BE WORKED OUT. VANCE

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